

**REPORT OF THE AUDIT OF THE
GALLATIN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GALLATIN COUNTY FISCAL COURT

June 30, 2008

The Auditor of Public Accounts has completed the audit of the Gallatin County Fiscal Court for fiscal year ended June 30, 2008.

We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky.

Financial Condition:

The Fiscal Court had net assets of \$5,519,406 as of June 30, 2008. The Fiscal Court had unrestricted net assets of \$2,392,433 in its governmental activities as of June 30, 2008. The Fiscal Court had total debt principal as of June 30, 2008 of \$4,843,253 with \$186,784 due within the next year.

Deposits:

The Fiscal Court's deposits as of August 31, 2007 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$475,998

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

Report Comment:

- The County Should Account For The Courthouse Renovations Fund The Same As They Account For All Other Funds And Include It On The Quarterly Report

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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Kenny French, Gallatin County Judge/Executive

Members of the Gallatin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Gallatin County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Gallatin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with the modified cash basis of accounting.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Kenny French, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gallatin County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2009, on our consideration of Gallatin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Account For The Courthouse Renovations Fund The Same As They Account For All Other Funds And Include It On The Quarterly Report

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 28, 2009

GALLATIN COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Kenny French	County Judge/Executive
Dudley Gullion	Magistrate
Joel Shinkle	Magistrate
Cindy Ogdon	Magistrate
Eric Moore	Magistrate

Other Elected Officials:

John G. Wright	County Attorney
Jerry Webb	Jailer
Tracy Miles	County Clerk
Nelson Brown	Sheriff
Carol Brown	Property Valuation Administrator
Jack Hughes	Coroner

Appointed Personnel:

Dennis French	Deputy Judge/Executive
Dennis French	Planning & Zoning Administrator
Lesa Bullard	County Treasurer
Lesa Bullard	Occupational Tax Administrator
Elaine Lillard	Finance Officer

Gallatin County Fiscal Court

Magistrates
Eric Moore
Tom Ellis
Joel Shinkle
Dudley Gullion

P.O. Box 144
Warsaw, Kentucky 41095
859-567-5691

Kenny French
Judge/Executive
John G. Wright
County Attorney

Gallatin County Management's Discussion and Analysis June 30, 2008

The financial management of Gallatin County, Kentucky offers readers of Gallatin County's financial statements this narrative overview and analysis of the financial activities of Gallatin County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Gallatin County had total net assets of \$5,519,406 as of June 30, 2008. The fiscal court had unrestricted net assets of \$2,392,433 in its governmental activities as of June 30, 2008. Total debt principal as of June 30, 2008 was \$4,843,253 with \$186,784 due within one year.
- The government's total net assets increased by \$604,113 from the prior year. This increase is primarily due to Occupational Tax and Business License Fees as well as real property taxes.
- At the close of the current fiscal year, Gallatin County's balance sheet reported total fund balances of \$2,620,351. Of this amount, \$2,344,537 is available for spending at the government's discretion (unreserved fund balance).
- Gallatin County's total indebtedness at the close of fiscal year June 30, 2008 was \$4,843,253 of which \$4,656,469 is long-term debt (due after 1 year) and \$186,784 is short-term debt (to be paid within 1 year). Debt additions were \$834,341 and debt reductions were \$302,717 for a net increase of \$531,624 during the year.
- Gallatin County is working on paying off the city building two years early (paid off December 2008) to help pay down our debt. The next step in paying down our debt will be to work toward extra payments on the Glencoe fire truck and then on to the Gallatin County fire truck debt payments.

**Gallatin County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Gallatin County's basic financial statements. Gallatin County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Gallatin County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Gallatin County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gallatin County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

The government-wide financial statements include only Gallatin County. (Known as the primary government).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gallatin County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Gallatin County are *governmental funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Gallatin County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Overview of the Financial Statements (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Gallatin County maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Ambulance Fund, Courthouse Renovations Fund and the Tourism Fund, all of which are considered major funds by the County. The LGEA Fund, 911 Fund, 911 Wireless Fund, and Economic Development Fund are considered non-major funds and are represented in a combined form.

Gallatin County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of government's financial position.

Net Assets Comparison - Governmental Activities

	Governmental Activities		Change	
	2007	2008	Variance	%
Assets				
Current and Other Assets	\$ 4,591,176	\$ 2,620,351	\$ (1,970,825)	-42.93%
Capital Assets	4,603,940	7,742,308	3,138,368	68.17%
Total Assets	<u>9,195,116</u>	<u>10,362,659</u>	<u>1,167,543</u>	12.70%
Liabilities				
Current Liabilities	128,110	186,784	58,674	45.80%
Long-term Liabilities	<u>4,183,629</u>	<u>4,656,469</u>	<u>472,840</u>	11.30%
Total Liabilities	<u>4,311,739</u>	<u>4,843,253</u>	<u>531,514</u>	12.33%
Net Assets				
Invested in Capital Assets,				
Net of Related Debt	2,101,251	2,899,055	797,804	37.97%
Restricted	1,808,940	227,918	(1,581,022)	-87.40%
Unrestricted	<u>973,296</u>	<u>2,392,433</u>	<u>1,419,137</u>	145.81%
Total Net Assets	<u>\$ 4,883,487</u>	<u>\$ 5,519,406</u>	<u>\$ 635,919</u>	13.02%

Gallatin County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Government-wide Financial Analysis. (Continued)

Statement of Activities Comparison - Governmental Activities

	Governmental Activities		Change	
	2007	2008	Variance	%
Revenues				
General Revenues	\$ 1,991,460	\$ 2,267,057	\$ 275,597	13.84%
Charges for Services	744,016	862,717	118,701	15.95%
Operating Grants and Contributions	1,002,183	1,533,741	531,558	53.04%
Total Revenue	3,737,659	4,663,515	925,856	24.77%
Expenses				
General Government	1,206,685	1,386,893	180,208	14.93%
Protection to Persons & Property	1,139,958	1,227,402	87,444	7.67%
General Health and Sanitation	57,998	90,266	32,268	55.64%
Social Services	14,957	27,484	12,527	83.75%
Recreation and Culture	135,912	115,159	(20,753)	-15.27%
Roads	550,594	642,486	91,892	16.69%
Debt Service	248,994	417,470	168,476	67.66%
Capital Projects	31,765	152,242	120,477	379.28%
Total Expenses	3,386,863	4,059,402	672,539	19.86%
Change In Net Assets	350,796	604,113	253,317	72.21%
Net Assets - Beginning (Restated)	4,532,691	4,915,293	382,602	8.44%
Net Assets - Ending	<u>\$ 4,883,487</u>	<u>\$ 5,519,406</u>	<u>\$ 635,919</u>	13.02%

Changes in Net Assets.

Governmental Activities. Gallatin County's net assets increased by \$604,113 in fiscal year 2008. Key elements of this are as follows:

- Current assets and cash decreased \$1,970,825.
- Investment in capital assets net of related debt increased by \$797,784 primarily due to construction on the Courthouse Renovations Project. This construction was capitalized but not depreciated.
- Current and long-term liabilities increased by \$531,514.
- Revenues were \$4,663,515 as reflected in the Statement of Activities.
- Expenditures totaled \$4,059,402 as reflected in the Statement of Activities.

**Gallatin County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of the County's Funds

As noted earlier, Gallatin County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Gallatin County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2008 fiscal year, the combined ending fund balance of Gallatin County's governmental funds was \$2,620,351. Approximately 90% (\$2,344,537) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of the fund balance (\$275,814) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Ambulance Fund; 5) Courthouse Renovations Fund; 6) Tourism Fund. There are 4 non-major funds. They are the LGEA Fund, Economic Development Fund, 911 Fund, and the 911 Wireless Fund.

1. The General Fund is the chief operating fund of Gallatin County. At the end of the June 30, 2008 fiscal year, unreserved fund balance of the General Fund was \$722,275, while total fund balance was \$735,764. The county received \$344,150 in Real Property tax revenues. This accounts for approximately 15% of the general fund revenue. \$1,270,800 was received from other taxes, which include motor vehicle tax, delinquent tax, deed transfer tax, payroll tax, franchise tax and in lieu of tax payments and accounts for approximately 55% of the county's general fund revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$1,081,004 unreserved fund balance at June 30, 2008. The unreserved fund balance at the end of the previous year was \$1,459,815. The fiscal year 2008 expenditures included extending and adding more roads for paving.
3. The Jail Fund is primarily funded by transfers from the General Fund. The Jail Fund had an unreserved fund balance at June 30, 2008 of \$760. All in all, the Jail mainly transports prisoners and houses them at the Carroll County Detention Center at the cost of \$211,739. This is an increase over the prior year by \$46,478, which seems to keep increasing annually for the housing of inmates. The General Fund contributed \$201,000 to the Jail operations.
4. The Ambulance Fund is used to provide EMS services to the residents of Gallatin County. The Ambulance Fund had an unreserved fund balance of \$87,981 as of June 30, 2008.
5. The Courthouse Renovations Fund was added in fiscal year end June 30, 2006 in order to track the construction costs of the County's courthouse renovations project. The Courthouse Renovations Fund had a fund balance of \$227,918 at June 30, 2008.

**Gallatin County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Financial Analysis of the County's Funds (Continued)

6. The Tourism Fund had an unreserved fund balance of \$44,879 as of June 30, 2008, which is an increase of \$7,249 from the prior year.
7. The Local Government Economic Assistance Fund had a fund balance of \$106,071, a decrease of \$14,671 over the previous fiscal year end.
8. The Economic Development Fund was added in February 2006. The fund balance was \$218,250 as of June 30, 2008, which is interest. No activity other than interest earned occurred in this fund.
9. The 911 Fund had an unreserved fund balance of \$10,961 as of June 30, 2008 which is a decrease of \$11,511 from the prior year. This fund is supported by the General Fund and the 911 Wireless Fund. It is not self-sufficient.
10. The 911 Wireless Fund had a fund balance of \$73,604 as of June 30, 2008, which is an increase of \$19,957 from the prior year. It is supported primarily from revenues from CMRS for wireless calls. The 911 Wireless Fund helps fund the 911 Fund and pays the WTH Maintenance Contract.

General Fund Budgetary Highlights

The County's original budget was amended during the fiscal year increasing the operating budget by \$582,285. Budget amendments were made to all areas due to excess revenue and grants.

Actual operating revenues were \$368,457 more than the amount originally budgeted by Fiscal Court. This increase was primarily from excess revenue and grants, and from the Occupational Tax and Business License Fee ordinances in place.

Actual operating expenditures were within the original budget set by Fiscal Court.

Gallatin County
Management's Discussion and Analysis
June 30, 2008
(Continued)

Capital Assets and Debt Administration

Capital Assets. Gallatin County's investment in capital assets for its governmental type activities as of June 30, 2008, amounts to \$7,742,308 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, machinery and equipment, vehicles and current year infrastructure additions. We purchased a used truck for the animal control assistant and two Crown Vics, one for the Sheriff and one for the County Police Officer. The Park & Recreation Department purchased a concession trailer complete and ready to work from. The Road Department purchased one new dump truck and two new work crew trucks and invested \$238,000 in road paving. We purchased a used vehicle for Emergency Management. We financed a new fire truck for Glencoe Fire Department. The EMS purchased a new ambulance and bought a new Cot. We bought land and pole barn building in the Concord area for a voting precinct, as well as worked to bring it to the standards required for voting precinct. This building can also be utilized for spay/neuter clinics, as well as a future sub-station for the fire department.

Additional information on the County's capital assets can be found in Note 3 of this report.

Capital Assets, Net of Accumulated Depreciation - Governmental Activities

	Governmental Activities		Change	
	2007	2008	Variance	%
Assets				
Infrastructure Assets	\$ 1,358,758	\$ 1,584,106	\$ 225,348	16.58%
Land and Land Improvements	1,265,000	1,315,000	50,000	3.95%
Buildings	285,290	479,326	194,036	68.01%
Vehicles	733,849	956,581	222,732	30.35%
Equipment	334,878	322,902	(11,976)	-3.58%
Construction In Progress	626,165	3,084,393	2,458,228	125.47%
Total Net Capital Assets	<u>\$ 4,603,940</u>	<u>\$ 7,742,308</u>	<u>\$ 3,138,368</u>	68.17%

Long-Term Debt. At the end of the 2008 fiscal year, Gallatin County had total long-term debt outstanding of \$4,843,253. The amount of this debt due within the next year is \$186,784 and \$4,656,469 is due in subsequent years. This debt is for road improvements, fire trucks, AOC construction debt, and park land purchase

Additional information on the County's long-term debt can be found in Note 4 of this report.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2009 fiscal year budget:

- The 2009 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.

**Gallatin County
Management's Discussion and Analysis
June 30, 2008
(Continued)**

Other Matters (Continued)

- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests For Information

This financial report is designed to provide a general overview of Gallatin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Gallatin County Treasurer, PO Box 144 (200 Washington Street), Warsaw, KY 41095.

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GALLATIN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

GALLATIN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,620,351
Total Current Assets	<u>2,620,351</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	3,084,393
Land and Land Improvements	1,315,000
Buildings	479,326
Equipment	322,902
Vehicles	956,581
Infrastructure	<u>1,584,106</u>
Total Noncurrent Assets	<u>7,742,308</u>
Total Assets	<u>10,362,659</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations	<u>186,784</u>
Total Current Liabilities	<u>186,784</u>
Noncurrent Liabilities:	
Financing Obligations	<u>4,656,469</u>
Total Noncurrent Liabilities	<u>4,656,469</u>
Total Liabilities	<u>4,843,253</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,899,055
Restricted For:	
Capital Projects	227,918
Unrestricted	<u>2,392,433</u>
Total Net Assets	<u>\$ 5,519,406</u>

The accompanying notes are an integral part of the financial statements.

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GALLATIN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

GALLATIN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		Net (Expenses) Revenues and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government
Primary Government:				
Governmental Activities:				
General Government	\$ 1,386,893	\$ 176,299	\$ 347,236	\$ (863,358)
Protection to Persons and Property	1,227,402	582,235	133,389	(511,778)
General Health and Sanitation	90,266	14,138	25,000	(51,128)
Social Services	27,484			(27,484)
Recreation and Culture	115,159		7,208	(107,951)
Roads	642,486	90,045	570,908	18,467
Debt Service	417,470			(417,470)
Capital Projects	152,241		450,000	297,759
Total Governmental Activities	4,059,402	862,717	1,533,741	(1,662,944)
General Revenues:				
Taxes:				
Real Property Taxes				344,150
Personal Property Taxes				67,289
Motor Vehicle Taxes				68,925
Occupational Taxes				812,730
Other Taxes				615,788
Excess Fees				67,586
Miscellaneous Revenues				164,679
Interest				125,910
Total General Revenues				2,267,057
Change in Net Assets				604,113
Net Assets - Beginning (Restated)				4,915,293
Net Assets - Ending				\$ 5,519,406

The accompanying notes are an integral part of the financial statements.

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GALLATIN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

GALLATIN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Ambulance Fund</u>	<u>Courthouse Renovations Fund</u>	<u>Tourism Fund</u>
ASSETS						
Cash and Cash Equivaler	\$ 735,764	\$1,087,634	\$ 13,374	\$ 89,543	\$ 227,918	\$ 57,163
Total Assets	<u>735,764</u>	<u>1,087,634</u>	<u>13,374</u>	<u>89,543</u>	<u>227,918</u>	<u>57,163</u>
FUND BALANCES						
Reserved for:						
Encumbrances	13,489	6,630	12,614	1,562		12,284
Capital Projects Fund					227,918	
Unreserved:						
General Fund	722,275					
Special Revenue Funds		1,081,004	760	87,981		44,879
Total Fund Balances	<u>\$ 735,764</u>	<u>\$1,087,634</u>	<u>\$ 13,374</u>	<u>\$ 89,543</u>	<u>\$ 227,918</u>	<u>\$ 57,163</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:

Total Fund Balances

Amounts Reported for Governmental Activities in the Statement
of Net Assets Are Different Because:

Capital Assets Used In Governmental Activities Are Not Financial Resources
and Therefore Are Not Reported in the Funds.

Accumulated Depreciation

Long-term Debt Is Not Due and Payable in the Current Period and, Therefore,
Is Not Reported in the Funds.

Financing Obligations

Net Assets Of Governmental Activities

GALLATIN COUNTY
 BALANCE SHEET - GOVERNMENT FUNDS - MODIFIED CASH BASIS
 June 30, 2008
 (Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 408,955</u>	<u>\$ 2,620,351</u>
<u>408,955</u>	<u>2,620,351</u>

1,317	47,896
	227,918
	722,275
<u>407,638</u>	<u>1,622,262</u>
<u>\$ 408,955</u>	<u>\$ 2,620,351</u>

\$ 2,620,351

9,216,841
 (1,474,533)

(4,843,253)
\$ 5,519,406

The accompanying notes are an integral part of the financial statements.

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GALLATIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

GALLATIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	General Fund	Road Fund	Jail Fund	Ambulance Fund	Courthouse Renovations Fund	Tourism Fund
REVENUES						
Taxes	\$ 1,496,198	\$	\$	\$	\$	\$ 31,347
In Lieu Of Taxes	118,752					
Excess Fees	67,586					
Licenses And Permits	73,973					
Intergovernmental	467,040	570,908	94,861	10,256	450,000	
Charges For Services	14,138	1,672		582,235		
Miscellaneous	31,675	96,886	450	10,969		8,108
Interest	22,612	43,380	168	493	51,398	218
Total Revenues	<u>2,291,974</u>	<u>712,846</u>	<u>95,479</u>	<u>603,953</u>	<u>501,398</u>	<u>39,673</u>
EXPENDITURES						
General Government	719,598					
Protection to Persons and Property	433,268		296,896	545,432		
General Health And Sanitation	88,909					
Social Services	27,040					
Recreation and Culture	34,000					20,140
Roads		925,220				
Debt Service	564,931	82,633			6,302	
Capital Projects	122,520	15,884			2,451,926	
Administration	582,496	48,947	13,872	66,136		
Total Expenditures	<u>2,572,762</u>	<u>1,072,684</u>	<u>310,768</u>	<u>611,568</u>	<u>2,458,228</u>	<u>20,140</u>
Over						
Expenditures Before Other						
Financing Sources (Uses)	<u>(280,788)</u>	<u>(359,838)</u>	<u>(215,289)</u>	<u>(7,615)</u>	<u>(1,956,830)</u>	<u>19,533</u>
Other Financing Sources (Uses)						
Financing Obligation Proceeds	320,250	138,283			375,808	
Transfers from Other Funds	147,399		201,000			
Transfers to Other Funds	<u>(201,000)</u>	<u>(152,242)</u>				
Total Other Financing Sources (Uses)	<u>266,649</u>	<u>(13,959)</u>	<u>201,000</u>		<u>375,808</u>	
Net Change in Fund Balances	(14,139)	(373,797)	(14,289)	(7,615)	(1,581,022)	19,533
Fund Balances - Beginning (Restated)	749,903	1,461,431	27,663	97,158	1,808,940	37,630
Fund Balances - Ending	<u>\$ 735,764</u>	<u>\$ 1,087,634</u>	<u>\$ 13,374</u>	<u>\$ 89,543</u>	<u>\$ 227,918</u>	<u>\$ 57,163</u>

The accompanying notes are an integral part of the financial statements.

GALLATIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Non-Major Funds	Total Governmental Funds
\$ 71,376	\$ 1,598,921
	118,752
	67,586
	73,973
329,461	1,922,526
	598,045
9,714	157,802
7,641	125,910
<u>418,192</u>	<u>4,663,515</u>
	719,598
234,724	1,510,320
	88,909
	27,040
85,734	139,874
	925,220
66,321	720,187
	2,590,330
35,752	747,203
<u>422,531</u>	<u>7,468,681</u>
<u>(4,339)</u>	<u>(2,805,166)</u>
	834,341
70,843	419,242
(66,000)	(419,242)
<u>4,843</u>	<u>834,341</u>
504	(1,970,825)
408,451	4,591,176
<u>\$ 408,955</u>	<u>\$ 2,620,351</u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

GALLATIN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (1,970,825)
--	----------------

Amounts Reported for Governmental Activities in the Statement of Activities
Are Different Because Governmental Funds Report Capital Outlays as Expenditures.
However, in the Statement of Activities the Cost of those Assets Are Allocated
Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	3,439,694
Depreciation Expense	(293,676)
Assets Disposed of, Net Book Value	(39,456)

The Issuance of Long-term Debt Provides Current Financial Resources to
Governmental Funds While Principal Payments on Long-term Debt Are Expensed
in the Governmental Funds as a Use of Current Financial Resources. These
Transactions, However, Have No Effect on Net Assets.

Financing Obligations Proceeds	(834,341)
Financing Obligations Principal Payments	302,717

Change in Net Assets of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">\$ 604,113</div>
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**Index For Notes
To The Financial Statements**

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GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Gallatin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no blended or discretely presented component units.

C. Gallatin County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Gallatin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Gallatin County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The primary government reports the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide and fund financial statements (i.e., the statement of net assets and the statement of activities) report information on the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. The County has no proprietary funds or fiduciary funds.

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - This fund accounts for the transfer of prisoners. The primary source of revenue is by transfers from the General Fund.

Ambulance Fund - This fund accounts for ambulance services provided to the residents of Gallatin County. The primary source of revenue comes from ambulance services.

Courthouse Renovations Fund - The primary purpose of this fund is to track the construction costs of the County's courthouse renovation project. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Tourism Fund - This fund accounts for the monies of the Tourism Commission. The primary source of revenue comes from the Transient Room Tax.

The primary government also has the following non-major funds: LGEA Fund, Economic Development Fund, 911 Fund, and 911 Wireless Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, LGEA Fund, Ambulance Fund, Economic Development Fund, 911 Fund, 911 Wireless Fund, and Tourism Fund are presented as special revenue funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Courthouse Renovations Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land and land improvements, buildings, equipment, building improvements, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	Capitalize Only	
Construction In Progress	Capitalize Only	
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Equipment	5,000	3-25
Vehicles	5,000	5-15
Infrastructure	20,000	2-40

G. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations is reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Courthouse Renovations Fund is not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, there are no related organizations for Gallatin County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Gallatin County Fiscal Court: Tri-County Kentucky Airport Board.

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits

The county maintained deposits of public funds with two depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institutions' failure, the county's deposits may not be returned to it. The county does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2007, public funds were exposed to custodial credit risk because the banks did not adequately collateralize the county's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$ 475,998

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,265,000	\$ 50,000	\$	\$ 1,315,000
Construction In Progress	626,165	2,458,228		3,084,393
Total Capital Assets Not Being Depreciated	1,891,165	2,508,228		4,399,393
Capital Assets, Being Depreciated:				
Buildings	526,000	210,000		736,000
Vehicles	1,191,494	332,635	(172,069)	1,352,060
Equipment	566,340	11,924		578,264
Infrastructure	1,774,217	376,907		2,151,124
Total Capital Assets Being Depreciated	4,058,051	931,466	(172,069)	4,817,448
Less Accumulated Depreciation For:				
Buildings	(245,513)	(11,161)		(256,674)
Vehicles	(437,485)	(90,607)	132,613	(395,479)
Equipment	(215,013)	(40,349)		(255,362)
Infrastructure	(415,459)	(151,559)		(567,018)
Total Accumulated Depreciation	(1,313,470)	(293,676)	132,613	(1,474,533)
Total Capital Assets, Being Depreciated, Net	2,744,581	637,790	(39,456)	3,342,915
Governmental Activities Capital Assets, Net	\$ 4,635,746	\$ 3,146,018	\$ (39,456)	\$ 7,742,308

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 10,091
Protection to Persons and Property	87,305
General Health and Sanitation	1,357
Recreation and Culture	625
Social Services	444
Roads	193,854
Total Depreciation Expense - Governmental Activities	<u>\$ 293,676</u>

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations

A. Mars Road

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in order to finance the improvements of Mars Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Mars Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2029. The principal balance at June 30, 2008 was \$331,873. Future principal and interest requirements are:

Fiscal Year Ended 30-Jun	Governmental Activities	
	Principal	Interest
2009	\$ 10,000	\$ 12,230
2010	10,000	11,855
2011	15,000	11,300
2012	15,000	10,750
2013	15,000	10,181
2014-2018	75,000	41,462
2019-2023	75,000	28,364
2024-2028	85,000	13,652
2029-2030	31,873	666
Totals	<u>\$ 331,873</u>	<u>\$ 140,460</u>

B. Sugar Bay Road

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in order to finance the improvements of Sugar Bay Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Sugar Bay Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2028. The principal balance at June 30, 2008 was \$114,662. Future principal and interest requirements are:

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations (Continued)

B. Sugar Bay Road (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 5,000	\$ 4,094
2010	5,000	3,898
2011	5,000	3,708
2012	5,000	3,494
2013	5,000	3,434
2014-2018	25,000	13,910
2019-2023	25,000	9,641
2024-2028	39,662	6,789
Totals	<u>\$ 114,662</u>	<u>\$ 48,968</u>

C. Land - County Park and Fairgrounds

On September 15, 2005, Gallatin County entered into a twenty-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$820,000 in order to finance the acquisition of 155 acres of land for a county park and fairgrounds. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on January 20, 2026. The principal balance at June 30, 2008 was \$740,157. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 25,000	\$ 27,820
2010	30,000	26,804
2011	30,000	25,663
2012	30,000	24,564
2013	30,000	23,425
2014-2018	185,000	82,618
2019-2023	245,000	55,773
2024-2026	165,157	12,444
Totals	<u>\$ 740,157</u>	<u>\$ 279,111</u>

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations (Continued)

D. Courthouse Renovations

On June 30, 2006, Gallatin County entered into a twenty-one year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$2,498,784 in order to finance the renovations of the Gallatin County Courthouse. The Courthouse will be subleased to the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky for use as court facilities. Under the sublease agreement, the financing obligation payments of the county are to be paid directly to the Trustee by AOC. Interest is paid on a monthly basis and principal payments are paid on a semi-monthly basis until termination of the lease on November 20, 2026. The principal balance at June 30, 2008 was \$2,425,667. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 77,172	\$ 107,764
2010	81,242	104,238
2011	85,706	100,456
2012	89,875	96,677
2013	94,789	92,505
2014-2018	554,441	326,416
2019-2023	716,985	252,046
2024-2027	725,457	70,748
Totals	<u>\$ 2,425,667</u>	<u>\$ 1,150,850</u>

On June 28, 2007, Gallatin County entered into a twenty year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$375,808 in order to further finance the renovations of the Gallatin County Courthouse. As above, the Courthouse will be subleased to the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky for use as court facilities. Under the sublease agreement, the financing obligation payments of the county are to be paid directly to the Trustee by AOC. Interest is paid on a monthly basis and principal payments are paid on a semi-annual basis until termination of the lease on May 20, 2027. The principal balance at June 30, 2008 was \$364,680. Future principal and interest requirements are:

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations (Continued)

C. Courthouse Renovations (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 11,747	\$ 15,332
2010	12,335	14,825
2011	12,976	14,292
2012	13,643	13,731
2013	14,352	13,141
2014-2018	83,705	54,900
2019-2023	107,740	35,660
2024-2027	108,182	10,259
Totals	<u>\$ 364,680</u>	<u>172,140</u>

E. Roads - Carver Farms Subdivision

On December 22, 2005, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$79,000 in order to finance the construction of roads in the Carver Farms Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Carver Farms Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030. The principal balance at June 30, 2008 was \$74,778. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 1,842	\$ 2,997
2010	1,937	2,926
2011	2,036	2,850
2012	2,140	2,775
2013	2,250	2,692
2014-2018	13,107	16,358
2019-2023	16,833	12,821
2024-2028	21,618	5,697
2029-2031	13,015	1,193
Totals	<u>\$ 74,778</u>	<u>\$ 50,309</u>

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations (Continued)

F. Roads - Creekside Subdivision

On December 22, 2005, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$157,000 in order to finance the construction of roads in the Creekside Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Creekside Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030. The principal balance at June 30, 2008 was \$113,636. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 3,056	\$ 4,457
2010	3,213	4,339
2011	3,378	4,213
2012	3,551	4,088
2013	3,733	3,950
2014-2018	21,745	17,443
2019-2023	27,929	12,812
2024-2028	35,868	6,871
2029-2031	11,163	623
Totals	<u>\$ 113,636</u>	<u>\$ 58,796</u>

G. Fire Truck #1

On May 2, 2007, Gallatin County Fiscal Court entered into an agreement with the United States Department of Agriculture for the purpose of assuming a loan acquired by the Gallatin County Fire Department in March 21, 2001 for a fire truck. The original principal amount was \$136,161. The termination date of the agreement is March 21, 2021. Principal outstanding as of June 30, 2008 totaled \$129,327. The interest rate for the loan is 5.0%. Future principal and interest requirements are:

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations (Continued)

G. Fire Truck #1 (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 7,177	\$ 6,466
2010	7,536	6,107
2011	7,912	5,731
2012	8,308	5,335
2013	8,723	4,920
2014-2018	50,612	17,603
2019-2021	39,059	4,076
Totals	<u>\$ 129,327</u>	<u>\$ 50,238</u>

H. Fire Truck #2

On May 2, 2007, Gallatin County Fiscal Court entered into an agreement with the United States Department of Agriculture for the purpose of assuming a loan acquired by the Gallatin County Fire Department in March 21, 2001 for a fire truck. The original principal amount was for \$239,263. The termination date of the agreement is March 21, 2021. Principal outstanding as of June 30, 2008 totaled \$227,061. The interest rate for the loan is 4.75%. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 12,783	\$ 10,785
2010	13,390	10,178
2011	14,026	9,542
2012	14,692	8,876
2013	15,390	8,178
2014-2018	88,635	29,205
2019-2021	68,145	6,768
Totals	<u>\$ 227,061</u>	<u>\$ 83,532</u>

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations (Continued)

I. Scenic View Road

On September 4, 2007, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$138,283 in order to finance the construction of roads in Scenic View subdivision so that they may be part of the County road system. Payments of this debt are to be made by the property owners located in the Scenic View Subdivision. Payments are collected by Gallatin County and distributed to the Kentucky Association of Leasing Trust (KACoLT) in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on September 20, 2032. The principal balance at June 30, 2008 was \$136,162. Future principal and interest requirements are:

Fiscal Year Ended	Governmental Activities	
	Principal	Interest
June 30		
2009	\$ 2,954	\$ 5,303
2010	3,105	5,189
2011	3,265	5,067
2012	3,432	4,948
2013	3,609	4,813
2014-2018	21,018	21,837
2019-2023	26,994	17,361
2024-2028	34,669	11,618
2029-2032	37,116	4,148
Totals	<u>\$ 136,162</u>	<u>\$ 80,284</u>

J. City Building

On July 13, 2007, Gallatin County Fiscal Court entered into a five-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$200,000 in order to purchase the city building to be used for Ambulance Services. Principal and interest are paid on a monthly basis until termination of the lease on January 20, 2012. The principal balance at June 30, 2008 was \$65,000. Future principal and interest requirements are:

Fiscal Year Ended	Governmental Activities	
	Principal	Interest
June 30		
2009	\$ 15,000	\$ 2,871
2010	15,000	1,898
2011	15,000	1,335
2012	20,000	589
Totals	<u>\$ 65,000</u>	<u>\$ 6,693</u>

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Financing Obligations (Continued)

K. Glencoe Fire Truck

On April 30, 2008, Gallatin County Fiscal Court entered into an agreement with the United States Department of Agriculture for the purpose of securing a loan to purchase a fire truck for the city of Glencoe. The original principal amount was \$120,250. The loan is for seven years with payments of \$20,314 for principal and interest due on April 30 of each year through April 30, 2015. The principal outstanding at June 30, 2008 was \$120,250. The interest rate for the loan is 4.375%.

L. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 4,311,629	\$ 834,341	\$ 302,717	\$ 4,843,253	\$ 186,784
Governmental Activities					
Long-term Liabilities	\$ 4,311,629	\$ 834,341	\$ 302,717	\$ 4,843,253	\$ 186,784

Note 5. Interest On Financing Obligations

Debt Service on the Statement of Activities includes \$236,736 in interest on financing obligations.

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GALLATIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2008, Gallatin County was a member of the Kentucky Association of Counties' All Line Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Prior Period Adjustments

The Fiscal Year Ended June 30, 2007 net asset amount and capital asset amount was restated due to capital asset adjustments as follows:

Ending Balance Fiscal Year Ended June 30, 2007	\$ 4,603,940
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Adjustments are as follows:

Buildings - Depreciation	
- To adjust useful lives	(4,803)
Equipment	
- To include backhoe that was included in current year by County but was purchased in prior year	40,000
Equipment - Depreciation	
- Adjustment for added equipment (see above)	(24,000)
Vehicles	
- To include Sheriff's automobile that was included in current year by County but which was purchased in prior year	19,984
Vehicles - Depreciation	
- Adjustment for added vehicle (see above)	(4,496)
- Adjustment for overstated depreciation in prior year	449
- Adjustment for depreciation expense on expired vehicle	<u>4,672</u>

Restated Ending Balance June 30, 2007	<u><u>\$ 4,635,746</u></u>
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Also, the June 30, 2007 Fund Financial Statements were restated due to a posting error. A Court Facilities Fee was incorrectly posted to the Jail Fund instead of to the General Fund. Therefore, the Jail Fund was debited \$6,130, and the General Fund was credited with \$6,130.

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,256,600	\$ 1,418,958	\$ 1,496,198	\$ 77,239
In Lieu Tax Payments	118,000	118,000	118,752	752
Excess Fees	2,000	68,586	67,586	(1,000)
Licenses and Permits	65,000	65,000	73,973	8,973
Intergovernmental Revenue	66,050	94,359	255,648	161,289
Charges for Services	12,000	12,000	14,138	2,138
Miscellaneous	23,100	288,313	151,925	(136,387)
Interest	9,800	9,800	22,612	12,812
Total Revenues	1,552,550	2,075,016	2,200,832	125,816
EXPENDITURES				
General Government	778,363	958,596	719,598	238,998
Protection to Persons and Property	248,776	261,192	233,268	27,924
General Health and Sanitation	64,496	97,651	88,909	8,742
Social Services	44,000	48,500	27,040	21,460
Recreation and Culture	35,000	35,000	34,000	1,000
Debt Service	107,211	355,157	353,539	1,618
Capital Projects	169,000	169,000	122,520	46,480
Administration	641,142	655,359	582,496	72,862
Total Expenditures	2,087,988	2,580,454	2,161,370	419,084
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(535,438)	(505,438)	39,462	544,900
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	147,399	147,399	147,399	
Transfers To Other Funds	(311,500)	(311,500)	(201,000)	110,500
Borrowed Money				
Total Other Financing Sources (Uses)	(164,101)	(164,101)	(53,601)	110,500
Net Changes in Fund Balance	(699,539)	(669,539)	(14,139)	655,400
Fund Balance - Beginning (Restated)	699,539	699,539	749,903	50,364
Fund Balance - Ending	\$ 0	\$ 30,000	\$ 735,764	\$ 705,764

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 576,970	\$ 576,970	\$ 570,908	\$ (6,062)
Charges for Services	500	500	1,672	1,172
Miscellaneous	66,230	100,932	96,886	(4,046)
Interest	40,900	40,900	43,380	2,480
Total Revenues	684,600	719,302	712,846	(6,456)
EXPENDITURES				
Roads	1,014,000	1,070,927	786,937	283,990
Debt Service	65,629	95,489	82,633	12,856
Capital Projects	376,336	333,677	15,884	317,793
Administration	77,368	63,100	48,947	14,153
Total Expenditures	1,533,333	1,563,193	934,401	628,792
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(848,733)	(843,891)	(221,555)	622,336
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		4,323		(4,323)
Transfers To Other Funds	(147,400)	(156,565)	(152,242)	4,323
Total Other Financing Sources (Uses)	(147,400)	(152,242)	(152,242)	
Net Changes in Fund Balance	(996,133)	(996,133)	(373,797)	622,336
Fund Balance - Beginning	996,133	996,133	1,461,431	465,298
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,087,634	\$ 1,087,634

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information – Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 109,500	\$ 109,500	\$ 94,861	\$ (14,639)
Miscellaneous	600	600	450	(150)
Interest	100	100	168	68
Total Revenues	110,200	110,200	95,479	(14,721)
EXPENDITURES				
Protection to Persons and Property	264,397	297,159	296,896	263
Administration	16,803	14,041	13,872	169
Total Expenditures	281,200	311,200	310,768	432
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(171,000)	(201,000)	(215,289)	(14,289)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	151,000	151,000	201,000	50,000
Total Other Financing Sources (Uses)	151,000	151,000	201,000	50,000
Net Changes in Fund Balance	(20,000)	(50,000)	(14,289)	35,711
Fund Balance - Beginning	20,000	20,000	27,663	7,663
Fund Balance - Ending	\$ 0	\$ (30,000)	\$ 13,374	\$ 43,374

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 10,000	\$ 10,000	\$ 10,256	\$ 256
Charges for Services	398,000	398,000	582,235	184,235
Miscellaneous	200	10,280	10,969	689
Interest	100	100	493	393
Total Revenues	408,300	418,380	603,953	185,573
EXPENDITURES				
Protection to Persons and Property	524,700	578,780	545,432	33,348
Administration	124,100	80,100	66,136	13,964
Total Expenditures	648,800	658,880	611,568	47,312
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(240,500)	(240,500)	(7,615)	232,885
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	160,500	160,500		(160,500)
Total Other Financing Sources (Uses)	160,500	160,500		(160,500)
Net Changes in Fund Balances	(80,000)	(80,000)	(7,615)	72,385
Fund Balances - Beginning	80,000	80,000	97,158	17,158
Fund Balances - Ending	\$ 0	\$ 0	\$ 89,543	\$ 89,543

GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

TOURISM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 26,000	\$ 26,000	\$ 31,347	5,347
Miscellaneous	100	100	8,108	8,008
Interest	100	100	218	118
Total Revenues	<u>26,200</u>	<u>26,200</u>	<u>39,673</u>	<u>13,473</u>
EXPENDITURES				
Recreation and Culture	56,100	56,100	20,140	35,960
Administration	100	100		100
Total Expenditures	<u>56,200</u>	<u>56,200</u>	<u>20,140</u>	<u>36,060</u>
Net Changes in Fund Balance	(30,000)	(30,000)	19,533	49,533
Fund Balance - Beginning	<u>30,000</u>	<u>30,000</u>	<u>37,630</u>	<u>7,630</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,163</u>	<u>\$ 57,163</u>

GALLATIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. General Fund Reconciliation

Expenditures

Protection to Persons and Property - Budgetary Basis	\$ 233,268
Purchase City Building for Ambulance Services	<u>200,000</u>
Total - Modified Cash Basis	<u><u>\$ 433,268</u></u>

Other Financing Sources (Uses)

Total Budgetary Basis	\$ (53,601)
Debt Acquired - Glencoe Fire Trucks	120,250
Debt Acquired - City Building	<u>200,000</u>
Total - Modified Cash Basis	<u><u>\$ 266,649</u></u>

3. Road Fund Reconciliation

Expenditures

Roads - Budgetary Basis	\$ 786,937
Lease to Finance Construction of Roads in Scenic View Subdivision	<u>138,283</u>
Total - Modified Cash Basis	<u><u>\$ 925,220</u></u>

Other Financing Sources (Uses)

Total Budgetary Basis	\$ (152,242)
Debt Acquired - Scenic View Subdivision	<u>138,283</u>
Total - Modified Cash Basis	<u><u>\$ (13,959)</u></u>

**GALLATIN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2008

GALLATIN COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	LGEA Fund	Economic Development Fund	911 Fund	911 Wireless Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 106,071	\$ 218,250	\$ 11,030	\$ 73,604	\$ 408,955
Total Assets	<u>106,071</u>	<u>218,250</u>	<u>11,030</u>	<u>73,604</u>	<u>408,955</u>
FUND BALANCES					
Reserved for:					
Encumbrances	1,317				1,317
Unreserved:					
Special Revenue Funds	<u>104,754</u>	<u>218,250</u>	<u>11,030</u>	<u>73,604</u>	<u>407,638</u>
Total Fund Balances	<u>\$ 106,071</u>	<u>\$ 218,250</u>	<u>\$ 11,030</u>	<u>\$ 73,604</u>	<u>\$ 408,955</u>

The accompanying notes are an integral part of the financial statements.

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GALLATIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

GALLATIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	LGEA Fund	Economic Development Fund	911 Fund	911 Wireless Fund
REVENUES				
Taxes	\$	\$	\$ 71,376	\$
Intergovernmental	138,252		102,500	88,709
Miscellaneous	1,785		7,929	
Interest	578	6,755	110	198
Total Revenues	<u>140,615</u>	<u>6,755</u>	<u>181,915</u>	<u>88,907</u>
EXPENDITURES				
Protection to Persons and Property			231,774	2,950
Recreation and Culture	85,734			
Debt Service	66,321			
Administration	8,074		27,678	
Total Expenditures	<u>160,129</u>		<u>259,452</u>	<u>2,950</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(19,514)</u>	<u>6,755</u>	<u>(77,537)</u>	<u>85,957</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	4,843		66,000	
Transfers to Other Funds				(66,000)
Total Other Financing Sources (Uses)	<u>4,843</u>		<u>66,000</u>	<u>(66,000)</u>
Net Change in Fund Balances	(14,671)	6,755	(11,537)	19,957
Fund Balances - Beginning	120,742	211,495	22,567	53,647
Fund Balances - Ending	<u>\$ 106,071</u>	<u>\$ 218,250</u>	<u>\$ 11,030</u>	<u>\$ 73,604</u>

The accompanying notes are an integral part of the financial statements.

GALLATIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

**Total
Non-Major
Governmental
Funds**

\$ 71,376
 329,461
 9,714
 7,641

 418,192

234,724
 85,734
 66,321
 35,752

 422,531

 (4,339)

70,843
 (66,000)

 4,843

504
 408,451

 \$ 408,955

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenny French, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 28, 2009. Gallatin County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gallatin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gallatin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gallatin County's internal control over financial reporting.

Our consideration of internal control financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The County Should Account For The Courthouse Renovations Fund The Same As They Account For All Other Funds And Include It On The Quarterly Report



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Gallatin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Gallatin County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 28, 2009

**GALLATIN COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2008

**GALLATIN COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2008

INTERNAL CONTROL - MATERIAL WEAKNESS

The County Should Account For The Courthouse Renovations Fund The Same As They Account For All Other Funds And Include It On The Quarterly Report

During our audit of debt service components, all amortization schedules were not made available to us. Only through procurement of bank confirmations did we discover that a second lease for courthouse renovations was obtained, along with additional monies received from the Administrative Office of the Courts (AOC) for this project. This information was not all on hand and available to us. As this project is a separate fund, per KRS 68.210, 68.020, 68.300, 68.360, and 66.480, the Department of Local Government (DLG) has established that the Treasurer should account for this fund the same as she accounts for all other funds and should be included on the quarterly reports.

We recommend that the Treasurer be made aware of all activities of the County so that she can include the necessary information in the quarterly reports.

County Judge/Executive's Response: Due to the fact that AOC was paying the payments and were the recipient of the lease monies, we did not account for the funds on the quarterly. Since our audit, we have added these liabilities to our quarterly report.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

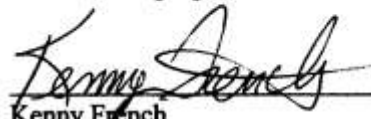
GALLATIN COUNTY FISCAL COURT

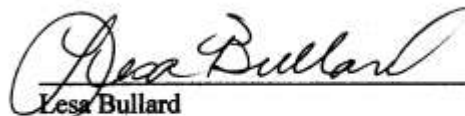
**For The Fiscal Year Ended
June 30, 2008**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC DEVELOPMENT PROGRAM
GALLATIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2008

The Gallatin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.


Kenny French
Judge Executive


Lesa Bullard
County Treasurer

